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Atimo has doubts on a iances Western

Russian group looks to emerging markets

egal disputes may deter investors By Andrew Parker in London

increasingly unlikely to form Russia's Alfa group looks an alliance with a western telecoms company after the conglomerate expressed doubts about the merits of such a move.

investment business, has been seeking an alliance with a western telecoms 2005. It has suggested it might exchange its assets for a minority stake in a west-Altimo, Alfa's telecoms operator since its creation in

or it to conclude a tie-up However, Altimo said it might not now make sense

with a western company. although it did not rule one

Nordic telecoms company, over Kylvstar, Ukraine's largest mobile operator, Altimo signalled it did not expect a rapid resolution of its dispute with Telenor, the Reznikovich, which they jointly own. Alexey

Altimo's chief executive, said the company's investments in emerging markets were worth more than \$30bn, compared with \$7bn-\$8bn He said this increase in two to three years ago.

are based only in western markets, where there is little Altimo's reappraisal of link "Many western companies value was one factor behind ing with a western operator growth," he added.

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Reznikovich

buying the Swedish government's 37 per cent stake in TeliaSonera, the leading The government is looking Nordic telecoms company

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to sell its shareholding.

TeliaSonera and Altimo both have minority stakes in MegaFon, Russia's thirdlargest mobile operator, and Turkcell, Turkey's leading wireless business.

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Altimo is focusing future

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Alfa is controlled by oli-

Mr Reznikovich acknowledged that no western telecoms company had shown itself willing to tie up with Altimo. investments on emerging markets in Asia. For example, it is hoping to participate in the privatisation of Vietnam's mobile operators

This may be partly to do minority rather than major-ity stakes in mobile operawith how Altimo owns nected with Altimo's record tors. It may also be conof legal disputes with rival shareholders.

As well as Kylvstar, Altimo's owns 44 per cent of VimpelCom, Russia's second largest mobile operator and 25 per cent of MegaFon.

In November, Altimo pre-vailed in a four-year legal dispute with Ipoc, a Bermuda investment fund, over the 25 per cent stake in both which claimed to own. MegaFon,

However, Mr Reznikovich could be followed quickly by ences with Telenor over corporate governance at Kylvplayed down the possibility resolution of Altimo's differthe MegaFon settlement

star, which does not have a functioning board because of the dispute.

In August a New York arbitration tribunal, conshareholdings above 5 per vened at Telenor's request, cent that it held in Kyivruled that Alfa should sell star's rivals.

holds Altimo's Kyivstar stake. The tribunal's ruling It added Altimo's Storm subsidiary should "take such steps as are necessary to candidates are elected" to ensure] that its nominated Kylvstar's board. Storm was endorsed by a New

agreement between Telego Jan Thygesen, head-g Telenor's central and easi ern European operations highlighted how the tribut found the 2004 shareholds and Altimo to be valid

Mr Thygesen said Telesto stood by the agreement, an would seek to enforce it

consider attending KN star's shareholder meeting until an appeal against court's judgment was con But Mr Reznikovich Not torm would probably York court in Novembe Cubitt Cons Storm would probably Alexey Reznikovich, Altimo chief executive, is sceptical whether the telecoms group needs to 'convert our growth into their stagnation' cluded.

terms through the courts.



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COMPANIES - INTERNATIONAL: Altimo has doubts on western alliances

By Andrew Parker in London Published: Dec 20, 2007

Russia's Alfa group looks increasingly unlikely to form an alliance with a western telecoms company after the conglomerate expressed doubts about the merits of such a move.

Altimo, Alfa's telecoms investment business, has been seeking an alliance with a western telecoms operator since its creation in 2005. It has suggested it might exchange its assets for a minority stake in a western operator.

However, Altimo said it might not now make sense for it to conclude a tie-up with a western company, although it did not rule one out.

Altimo signalled it did not expect a rapid resolution of its dispute with Telenor, the Nordic telecoms company, over Kyivstar, Ukraine's largest mobile operator, which they jointly own.

Alexey Reznikovich, Altimo's chief executive, said the company's investments in emerging markets were worth more than \$30bn, compared with \$7bn-\$8bn two to three years ago.

He said this increase in value was one factor behind Altimo's reappraisal of linking with a western operator.

"Many western companies are based only in western markets, where there is little growth," he added.

"And therefore we have certain doubts whether we need to convert our growth into their stagnation."

Alfa is controlled by oligarch Mikhail Fridman, and Mr Reznikovich said Altimo was committed to its Russian investments.

Altimo is focusing future investments on emerging markets in Asia. For example, it is hoping to participate in the privatisation of Vietnam's mobile operators.

Mr Reznikovich said Altimo was not interested in buying the Swedish government's 37 per cent stake in TeliaSonera, the leading Nordic telecoms company. The government is looking to sell its shareholding.

TeliaSonera and Altimo both have minority stakes in MegaFon, Russia's third-largest mobile operator, and Turkcell, Turkey's leading wireless business.

Mr Reznikovich acknowledged that no western telecoms company had shown itself willing to tie up with Altimo.

This may be partly to do with how Altimo owns minority rather than majority stakes in mobile operators. It may also be connected with Altimo's record of legal disputes with rival shareholders.

As well as Kyivstar, Altimo's owns 44 per cent of VimpelCom, Russia's second largest mobile operator and 25 per cent of MegaFon.

In November, Altimo prevailed in a four-year legal dispute with Ipoc, a Bermuda investment fund, over the 25 per cent stake in MegaFon, which both claimed to own.

However, Mr Reznikovich played down the possibility the MegaFon settlement could be followed quickly by resolution of Altimo's differences with Telenor over corporate governance at Kyiv-star, which does not have a functioning board because of the dispute.

In August a New York arbitration tribunal, convened at Telenor's request, ruled that Alfa should sell shareholdings above 5 per cent that it held in Kyiv-star's rivals.

It added Altimo's Storm subsidiary should "take such steps as are necessary to [ensure] that its nominated candidates are elected" to Kyivstar's board. Storm holds Altimo's Kyivstar stake. The tribunal's ruling was endorsed by a New York court in November.

But Mr Reznikovich said Storm would probably not consider attending Kyiv-star's shareholder meetings until an appeal against the court's judgment was concluded.

Jan Thygesen, head of Telenor's central and eastern European operations, highlighted how the tribunal found the 2004 shareholder agreement between Telenor and Altimo to be valid.

Mr Thygesen said Telenor stood by the agreement, and would seek to enforce its terms through the courts.

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